



Randfontein Local Municipality

(Demarcation code GT482)
Annual Financial Statements
for the year ended 30 June 2013

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity

Randfontein Local Municipality

Nature of business and principal activities

- Provision of a democratic and accountable local government for communities in the Randfontein area;
- Ensuring the provision of services to these communities in a sustainable manner;
- Promotion of social and economic development;
- Promotion a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in the matters of local government in the Randfontein

Council

Executive Mayor
Speaker
Council Whip
Mayoral Committee

Cllr Sylvia Elaine Thebenare
Cllr Mzikayifane Elias
Cllr Yaqub Ihsaanullah Legoete

Cllr Mathidiso Theresa Kimane (Waste and Environment)
Cllr Patricia Themba Matuwane (Social Services)
Cllr Martha Christina Grobler (Finance)
Cllr Arthur Sampson (Infrastructure; Ward 5)
Cllr Xolisa Ntsepo (Corporate Support Services; Ward 2)
Cllr Brenda Mahuma (Public Safety)
Cllr Lazarus Sydney Matshuisa (Local Economic Development; Ward 16)
Cllr Sipho Saxon Matakane (Development Planning)

MPAC Chairperson

Cllr Adifele Isaac Lebopa (Ward 11)

Councillors

Cllr Betty Matebesi (Ward 1)
Cllr Alwyn Jacobus van Tonder (Ward 3)
Cllr Gesina Aletta Erasmus (Ward 4)
Cllr Evert Phillipus du Plessis (Ward 6)
Cllr Craig Harrison (Ward 7)
Cllr Bernard Schalk Rooskrantz (Ward 8)
Cllr Peter Dick (Ward 9)
Cllr Sarah Magdeline Bock (Ward 10)
Cllr Mzusekho Joseph Mbangeni (Ward 12)
Cllr Monica Makhuto Sello (Ward 13)
Cllr Modisaotsile John Bogale (Ward 14)
Cllr Serame William Nawa (Ward 15)
Cllr Mmboi Jane Jerminah Kutoane (Ward 17)
Cllr Kgomotso Dorothy Mogapi (Ward 18)
Cllr Mmaphuthi Dorah Mogale (Ward 19)
Cllr Doneven Cloete (Ward 20)
Cllr Festus Omphile Matshogo (Ward 21)
Cllr Philile Kenneth Faku (Ward 22)

Proportional Representative councillors

Cllr Gerald Pierre Bezuidenhout
Cllr Paul Lucky Francis
Cllr Eva Johanna Regetta Beaufort
Cllr Gerhard Kruger
Cllr Brian Douglas Kruger

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

	Cllr Brian Douglas Blake Cllr Patricia Simon Cllr Puseletso Sweetness Mapena Cllr Gwendoline Mamosupane Ndebele Cllr Thomas Boy Mananiso Cllr Tshipi Bernadette Ntombiyezizwe Mavuso Cllr Sipho Steven Handula Cllr Balderic Clyde Dreyer Cllr Solomon May
Grading of local authority	Grade 4 High Capacity
Accounting Officer	Mr Mpho Mogale
Acting Chief Finance Officer (CFO)	Mr Abel Mawela
Registered office	C/O Sutherland & Pollock street Randfontein 1760
Business address	Corner Sutherland and Pollock Streets Randfontein 1760
Postal address	P O Box 218 Randfontein 1760
Bankers	Nedbank Corporate Banking
Auditors	Auditor - General of South Africa
Attorneys	Thaanyane Attorneys Maserumule Inc. Attorneys Bhika Incorporated Attorneys Mokodou Attorneys Van Ryneveld Bhika Scott Inc Molefe Diepu Inc Malatji Attorneys Legwale Attorneys Steyn and Steyn Attorneys Kgokong Nameng Tumagole Incorporated Naidoo and Associates Inc

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Accounting Policies	10 - 28
Notes to the Annual Financial Statements	29 - 63

The following supplementary information does not form part of the annual financial statements and is unaudited:

Income Statement for Agricultural Activities	64
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Appendixes:

Appendix A: Schedule of External loans	65
Appendix B: Analysis of Property, Plant and Equipment	66
Appendix C: Segmental analysis of Property, Plant and Equipment	72
Appendix D: Segmental Statement of Financial Performance	73
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	74
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	75
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	76

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
WRDM	West Rand District Municipality
RLM	Randfontein Local Municipality
SRAC	Department of Sports Recreation, Arts and Culture

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2014 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal and external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

Accounting Officer
Mr Mpho Mogale

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Inventories	9	9,120,439	8,214,529
Trade and other receivables from non exchange transactions	10	2,594,332	20,071,611
VAT receivable	11	-	1,790,689
Trade and other receivables from exchange transactions	12	65,405,127	103,570,474
Cash and cash equivalents	13	69,877,786	245,947
		146,997,684	133,893,250
Non-Current Assets			
Biological assets	2	972,350	1,779,833
Investment property	3	120,170,093	111,309,831
Property, plant and equipment	4	2,570,619,766	2,629,897,351
Heritage assets	5	2,244,000	2,195,000
Intangible assets	6	36,039,722	36,603,309
Other financial assets	7	9,710,229	9,081,948
		2,739,756,160	2,790,867,272
Total Assets		2,886,753,844	2,924,760,522
Liabilities			
Current Liabilities			
Other financial liabilities	15	1,408,403	1,212,524
Finance lease obligation	16	21,923,691	20,625,014
Trade and other payables from exchange transactions	19	144,589,389	149,649,686
VAT payable	20	298,958	-
Consumer deposits	21	26,068,611	24,329,200
Unspent conditional grants and receipts	17	45,829,995	33,824,288
Provisions	18	-	2,926,424
		240,119,047	232,567,136
Non-Current Liabilities			
Other financial liabilities	15	10,244,606	11,652,952
Finance lease obligation	16	8,892,931	31,173,165
Retirement benefit obligation	8	50,291,612	49,075,773
Provisions	18	4,917,952	4,470,866
		74,347,101	96,372,756
Total Liabilities		314,466,148	328,939,892
Net Assets		2,572,287,696	2,595,820,630
Net Assets			
Reserves			
Other non-distributable reserve	14	3,833,346	3,833,346
Accumulated surplus		2,568,454,350	2,591,987,284
Total Net Assets		2,572,287,696	2,595,820,630

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Property rates	23	78,443,184	65,093,389
Service charges	24	476,205,136	423,714,981
Sales of housing		42,726	-
Rental of facilities and equipment	36	1,986,693	1,746,405
Interest received (trading)		8,474,736	1,964,056
Income from agency services		21,107,219	13,542,238
Public contributions and donations		-	580,980
Fines		6,442,099	7,258,046
Licences and permits		57,397	68,840
Government grants & subsidies	25	137,117,587	133,440,768
Recoveries	30	-	20,471,940
Other income	26	6,245,299	8,115,935
Other farming income		2,611,933	1,717,615
Interest received - investment	31	2,895,454	1,332,736
Total Revenue		741,629,463	679,047,929
Expenditure			
Employee related costs	28	(196,796,584)	(182,981,903)
Remuneration of councillors	29	(13,938,835)	(12,789,553)
Depreciation and amortisation	33	(107,028,018)	(119,468,180)
Finance costs	34	(17,879,006)	(13,936,599)
Debt impairment	30	(36,127,544)	-
Repairs and maintenance		(11,972,034)	(14,173,012)
Bulk purchases	39	(292,647,939)	(271,454,675)
Contracted services	37	(26,703,823)	(25,747,527)
Grants and subsidies paid	38	(420,000)	(400,000)
General Expenses	27	(87,893,351)	(99,273,488)
Total Expenditure		(791,407,134)	(740,224,937)
Loss on disposal of assets		(1,056,793)	(3,173,933)
Fair value adjustments	32	8,628,713	11,555,703
Actuarial Gain or Loss		4,497,884	4,093,911
Deficit for the year		(37,707,867)	(48,701,327)

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand	Other NDR	Accumulated surplus	Total net assets
Opening balance as previously reported	3,833,346	2,505,212,501	2,509,045,847
Adjustments			
Correction of errors	-	86,052,465	86,052,465
Change in accounting policy	-	2,031,308	2,031,308
Prior year adjustments	-	(62,078,325)	(62,078,325)
Balance at July 1, 2011 as restated	3,833,346	2,640,688,611	2,644,521,957
Changes in net assets			
Surplus for the year	-	(48,701,327)	(48,701,327)
Total changes	-	(48,701,327)	(48,701,327)
Balance at July 1, 2012	3,833,346	2,606,162,217	2,609,995,563
Changes in net assets			
Surplus for the year	-	(37,707,867)	(37,707,867)
Total changes	-	(37,707,867)	(37,707,867)
Balance at 30 June 2013	3,833,346	2,568,454,350	2,572,287,696
Note(s)	14		

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		418,912,695	498,323,456
Grants		146,741,139	138,223,007
Interest income		2,895,454	1,332,736
Other receipts		36,820,940	34,049,820
		605,370,228	671,929,019
Payments			
Employee costs		(192,026,828)	(196,853,400)
Suppliers		(231,713,686)	(374,079,430)
Finance costs		(14,381,306)	(6,999,967)
		(438,121,820)	(577,932,797)
Undefined difference compared to the cash generated from operations note		(9,944,260)	-
Net cash flows from operating activities	40	157,304,148	93,996,222
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(73,364,149)	(125,722,079)
Proceeds from sale of property, plant and equipment	4	-	3,573,665
Proceeds from sale of investment property	3	-	1,080,000
Purchase of other intangible assets	6	-	(2,408)
Purchase of financial assets		-	(2,005,121)
Finance costs		-	(3,468,316)
Net cash flows from investing activities		(73,364,149)	(126,544,259)
Cash flows from financing activities			
Other financial payments		(1,212,467)	(1,041,390)
Increase (decrease) in finance lease obligation		(21,367,600)	36,518,103
Net cash flows from financing activities		(22,580,067)	35,476,713
Net increase/(decrease) in cash and cash equivalents		61,359,932	2,928,676
Cash and cash equivalents at the beginning of the year		245,947	(2,682,729)
Cash and cash equivalents at the end of the year	13	61,605,879	245,947

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

New standards, amendments and interpretations to existing standards that are not effective and are related to the Municipality's operations:

GRAP Standards not yet effective

GRAP 20: Related Party Disclosures

GRAP 18: Segment Reporting

GRAP 105: Transfer of functions between entities under common control

GRAP 106: Transfer of functions

GRAP 107: Mergers

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Biological assets

An entity shall recognise a biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
 - it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
 - the fair value or cost of the asset can be measured reliably.
-

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Biological assets (continued)

Biological assets are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	5-100
Plant and machinery	
• Specialised plant and equipment	10-50
• Other items of plant and equipment	2-5
Infrastructure	
• Roads and storm water	5-100
• Water and Sanitation Network	5-100
• Electrical infrastructure	10-60
Community	
• Community facilities	5-100
• Recreational facilities	5-100
• Park facilities	10-80
Leased assets	
• Office equipment	3-5
• Motor vehicles	3-5
Other assets	
• Library books	3-50
• Furniture and fittings	7-10
• Specialised vehicles	5
• Other vehicles	3-7
• Other equipment	3-7

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 -10 years
Servitudes	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.14 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

a) Landfill Rehabilitation Provision

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash generating assets and/or impairment of non-cash generating assets

If the related asset is measured using the revaluation model:

- a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that;
 - - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset
- b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued

b) Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

c) Bonus Provision

The provision is to provide for performance bonuses of the economic entity's section 57 employees and, where applicable, independent contractors.

d) Long Term Service Awards Provision

The economic entity offers various types of long service awards to its employees. The provision is to recognise the present value of the obligation as at the reporting date.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Comparative figures

Budget information has been provided in a note to the financial statements, called Statement of Comparative and Actual information.

When the presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the comparatives are restated accordingly.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.21 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Presentation of currency

These annual financial statements are presented in South African Rand.

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.25 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.26 Revaluation reserve

The surplus arising from the revaluation of heritage assets is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on proceeds less the carrying value, are credited or charged to the statement of financial performance.

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.29 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

1.30 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.31 Events after the reporting date

Adjusting events after the reporting date will be accounted for in the annual financial statements, while non-adjusting events after the reporting date are disclosed in the notes to the financial statements

1.32 VAT

Randfontein Local Municipality pays Value Added Tax on the payment basis.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013
Restated
2012

2. Biological assets

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Dairy cattle	972,350	-	972,350	1,203,900	-	1,203,900
Maize at point of harvest	-	-	-	575,933	-	575,933
Total	972,350	-	972,350	1,779,833	-	1,779,833

Reconciliation of biological assets - 2013

	Opening balance	Fair value adjustment	Derecognition	Total
Dairy cattle	1,203,900	(231,550)	-	972,350
Maize at point of harvest	575,933	-	(575,933)	-
	1,779,833	(231,550)	(575,933)	972,350

Reconciliation of biological assets - 2012

	Opening balance	Gains or losses arising from changes in fair value	Total
Dairy cattle	858,900	345,000	1,203,900
Biological assets - Bearer 1	-	575,933	575,933
	858,900	920,933	1,779,833

Non - Financial information

Quantities of each biological asset

Dairy cattle	148	161
Dairy cattle		
Cows in production	43	60
Cows not in production	48	32
Heifers	52	44
Calves	5	25
	148	161

Pledged as security

No biological assets were pledged as security:

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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3. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Improved and unimproved land	120,170,093	-	120,170,093	111,309,831	-	111,309,831

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Total
Improved and unimproved land	111,309,831	8,860,262	120,170,093

Reconciliation of investment property - 2012

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Improved and unimproved land	101,430,500	(1,080,000)	324,561	10,634,770	111,309,831

Pledged as security

No investment property was pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Sunday, June 30, 2013. Revaluations were performed by an independent valuer, Mr Rob Childs (Professional Engineer-Pr Eng Pr CPM). Mr Childs is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

For investment property, totaling - (2012: -), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

Discount rate: 7,96%

Other

Other

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year.

Investment property located in (a foreign country: specify) is governed by that country's exchange controls and therefore the rental income and proceeds from any sale of that investment property are not available to the municipality:

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

2013

2012

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	282,242,425	(184,291,039)	97,951,386	282,242,425	(176,545,186)	105,697,239
Infrastructure	3,770,462,667	(1,649,110,536)	2,121,352,131	3,745,629,318	(1,575,929,039)	2,169,700,279
Community	334,769,078	(164,082,415)	170,686,663	336,426,713	(16,354,960)	320,071,753
Other assets	47,112,609	(20,923,906)	26,188,703	41,795,013	(16,354,960)	25,440,053
Leased assets	62,153,711	(25,742,805)	36,410,906	62,153,711	(16,354,960)	45,798,751
Work In Progress	110,954,279	-	110,954,279	93,156,913	-	93,156,913
Library books	7,075,698	-	7,075,698	7,075,698	-	7,075,698
Total	4,614,770,467	(2,044,150,701)	2,570,619,766	4,568,479,791	1,938,582,440	2,629,897,351

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Derecognition	Depreciation	Total
Land	105,722,486	-	-	-	(7,771,100)	97,951,386
Infrastructure	2,169,700,278	25,124,594	-	(245,862)	(73,226,879)	2,121,352,131
Community	179,879,248	-	-	(268,507)	(8,924,078)	170,686,663
Other assets	25,440,054	5,317,595	-	-	(4,568,946)	26,188,703
Leased assets	48,947,921	-	-	-	(12,537,015)	36,410,906
Work In Progress	93,156,913	42,921,960	(25,124,594)	-	-	110,954,279
Library books	7,075,698	-	-	-	-	7,075,698
	2,629,922,598	73,364,149	(25,124,594)	(514,369)	(107,028,018)	2,570,619,766

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Derecognition	Depreciation	Total
Land and Buildings	113,468,349	-	-	-	(7,771,100)	105,697,249
Infrastructure	2,251,127,772	3,233,914	-	(1,688,291)	(82,973,127)	2,169,700,268
Community	188,911,326	-	-	-	(9,032,078)	179,879,248
Other assets	25,024,794	4,377,844	-	-	(3,962,584)	25,440,054
Leased assets	14,292,270	47,169,472	(18,446)	-	(12,495,375)	48,947,921
Work In progress	56,490,188	39,900,641	-	-	(3,233,916)	93,156,913
Library books	7,075,698	-	-	-	-	7,075,698
	2,656,390,397	94,681,871	(18,446)	(1,688,291)	(119,468,180)	2,629,897,351

Pledged as security

No Property, plant and equipment was pledged as security:

Assets subject to finance lease (Net carrying amount)

Leased assets (refer to note 15)	36,410,906	48,947,921
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Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand 2013 2012

5. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Paintings and other artifacts	2,244,000	-	2,244,000	2,195,000	-	2,195,000

Reconciliation of heritage assets - 2013

	Opening balance	Fair value adjustment	Total
Paintings and other artifacts	2,195,000	49,000	2,244,000

Reconciliation of heritage assets - 2012

	Opening balance	Disposals through business divestiture	Fair value adjustment	Total
Paintings and other artifacts	397,920	(132,199)	1,929,279	2,195,000

6. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	36,039,722	-	36,039,722	36,039,722	-	36,039,722
Computer software	-	-	-	1,382,083	(818,496)	563,587
Total	36,039,722	-	36,039,722	37,421,805	(818,496)	36,603,309

Reconciliation of intangible assets - 2013

	Opening balance	Derecognition	Total
Servitudes	36,039,722	-	36,039,722
Computer software	563,587	(563,587)	-
	36,603,309	(563,587)	36,039,722

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Servitudes	36,039,722	-	-	36,039,722
Computer software	1,379,675	2,408	(818,496)	563,587
	37,419,397	2,408	(818,496)	36,603,309

Pledged as security

No intangible assets were pledged as security:

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
7. Other financial assets		
Held to maturity		
Investments	9,710,229	9,081,948
Zero-coupon bond investment with a maturity date of 7 June 2018.		
Non-current assets		
Held to maturity	9,710,229	9,081,948

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

8. Retirement benefit obligations - Post employment medical benefits

Retirement benefits

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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8. Retirement benefit obligations - Post employment medical benefits (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening accrued liability	(49,075,773)	(48,290,214)
Interest cost	(3,917,536)	(4,183,262)
Contributions (benefits paid)	1,064,760	2,389,632
Actuarial Loss/ (Gain)	4,497,884	4,093,911
Current service costs	(2,860,947)	(3,085,840)
	(50,291,612)	(49,075,773)

30 June 2013	Assumptions	Change	Current service cost	Interest cost	Total	% change
	Central assumptions		37	14	50	
	Health care inflation	1 %	44	14	58	15 %
		(1)%	31	13	44	(12)%
	Post-retirement mortality	(1)%	38	14	52	4 %
	Average retirement age	(1)%	40	14	54	7 %
	Withdrawal rate	(50)%	40	14	54	7 %
		(52)%	230	83	312	21 %

Assumption	Change	Current service cost	Interest cost	Total	% change
Central assumptions		2,860,000	3,917,500	6,778,400	
Health care inflation	1 %	3,447,800	4,517,100	76,964,900	18 %
	(1)%	2,394,300	3,428,000	5,822,300	(14)%
Post-retirement mortality	(1)%	2,963,800	4,072,400	7,036,200	4 %
Average retirement age	(1)%	3,013,700	4,148,000	7,161,700	6 %
Withdrawal	(50)%	3,241,500	4,173,600	7,415,100	9 %
	(52)%	17,921,100	24,256,600	111,178,600	23 %

30 June 2012	Assumption	Change	Current service cost	Interest cost	Total	% change
	Central assumptions		36	13	46	
	Health care inflation	1 %	42	14	57	15 %
		(1)%	31	12	43	(12)%
	Post-retirement mortality		37	14	51	4 %
	Average retirement age		39	13	52	6 %
	Withdrawal rate	(50)%	39	13	52	6 %
		(50)%	224	79	301	19 %

Assumption	Change	Current service cost	Interest cost	Total	% change
Central assumptions		3,085,800	4,183,300	7,269,100	
Health care inflation	1 %	2,718,200	4,817,500	8,535,700	17 %
	- %	2,582,800	3,664,400	6,247,200	(14)%
Post-retirement mortality		3,195,700	4,342,900	7,538,600	4 %
Average retirement age		3,188,400	4,446,200	7,634,600	5 %
Withdrawal rate	50 %	3,509,700	4,456,600	7,966,300	10 %
	51 %	18,280,600	25,910,900	45,191,500	22 %

Retirement Benefit Obligations - Long service awards

The municipality offers long service award bonus of R5 000 per completed ten (10) year period of service. The long term service award will be paid on retirement, resignation or death and the amount will increase in line with expected CPI inflation. This amount has been included in the provision for leave pay.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
8. Retirement benefit obligations - Post employment medical benefits (continued)		
Carrying value		
Opening Accrued liability	2,575,658	2,221,298
Interest cost	206,078	189,677
Benefits vesting	(75,000)	(75,000)
Actuarial gain/loss	100,459	43,917
Current service cost	214,804	195,766
	3,021,999	2,575,658

Key Financial Assumptions	Change	Liability	% change
Central assumptions		3	
CPI inflation	1 %	3	10 %
	(1)%	3	(8)%
Average retirement age		3	(2)%
		3	2 %
		15	2 %

Assumptions	Change	Current service cost	Interest cost	Total	% change
Central assumptions		214,800	206,100	420,900	
CPI inflation	1 %	243,000	226,900	469,900	12 %
	(1)%	191,200	187,900	379,100	(10)%
Average retirement age		204,800	193,900	398,700	(5)%
		218,500	216,700	435,200	3 %
		1,072,300	1,031,500	2,103,800	

Key financial assumptions

Discount rate	9.01 %	8.07 %
Health care cost inflation rate	7.81 %	7.93 %
Net effective discount rate	1.11 %	0.97 %
	-	-

Net expense recognised in the statement of financial performance

Current service cost	2,860,947	3,085,840
Interest cost	3,917,536	4,183,262
Actuarial (gains) losses	(4,497,884)	(4,093,911)
	2,280,599	3,175,191

9. Inventories

Unsold maize	-	108,067
Consumable stores	9,197,210	8,150,410
Unsold water	115,460	148,283
	9,312,670	8,406,760
Inventories (write-downs)	(192,231)	(192,231)
	9,120,439	8,214,529

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
10. Trade and other receivables from non exchange transactions		
Impairment	(3,726,580)	(3,731,536)
Salary advances	(3,172)	475,238
Operating lease receivables (if immaterial)	1	(5)
VAT input suspense	2,914,712	19,662,943
Two room arrears	(13,074)	-
Revenue receivable - Dept of Health	3,422,445	3,422,445
KeyHealth Continued members	-	242,526
	2,594,332	20,071,611
11. VAT receivable		
VAT	-	1,790,689
Value Added Tax is paid to SARS monthly on the payments basis.		
12. Trade and other receivables from exchange transactions		
Gross balances		
Rates	131,141,507	101,803,453
Electricity	47,245,541	64,392,160
Water	41,447,331	37,040,212
Sewerage	11,780,791	7,172,622
Refuse	12,722,405	8,423,073
Other Levies	26,093,359	50,728,087
VAT	11,056,580	14,038,554
	281,487,514	283,598,161
Less: Provision for debt impairment		
Rates	(112,379,186)	(57,800,832)
Electricity	(31,103,043)	(39,062,974)
Water	(33,384,298)	(25,166,701)
Sewerage	(8,638,548)	(5,123,844)
Refuse	(9,382,255)	(5,155,703)
Other Levies	(21,195,057)	(47,717,633)
	(216,082,387)	(180,027,687)
Net balance		
Rates	18,762,321	44,002,621
Electricity	16,142,498	25,329,186
Water	8,063,033	11,873,511
Sewerage	3,142,243	2,048,778
Refuse	3,340,150	3,267,370
Other Levies	4,898,302	3,010,454
VAT	11,056,580	14,038,554
	65,405,127	103,570,474

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
12. Trade and other receivables from exchange transactions (continued)		
Rates		
Current (0 -30 days)	155,700	4,748,924
31 - 60 days	4,143,573	44,828,066
61 - 90 days	1,746,342	790,011
91 - 120 days	1,347,060	775,940
121 - 365 days	52,634,112	41,764,857
> 365 days	71,114,720	8,895,655
Impairments	(112,379,186)	(57,800,832)
	189,447,281	44,002,621
Electricity		
Current (0 -30 days)	178,404	23,620,413
31 - 60 days	11,337,304	2,720,017
61 - 90 days	2,232,732	2,662,244
91 - 120 days	1,159,227	2,409,605
121 - 365 days	4,777,195	9,466,469
> 365 days	27,560,679	23,513,411
Impairments	(31,103,043)	(39,062,973)
	16,142,498	25,329,186
Water		
Current (0 -30 days)	61,530	3,609,592
31 - 60 days	3,193,116	1,753,050
61 - 90 days	1,436,287	1,314,224
91 - 120 days	1,163,073	1,249,318
121 - 365 days	13,426,056	9,410,048
> 365 days	22,164,269	19,703,979
Impairments	(33,381,298)	(25,166,700)
	8,063,033	11,873,511
Sewerage		
Current (0 -30 days)	368,320	1,123,756
31 - 60 days	1,250,455	344,194
61 - 90 days	525,658	241,457
91 - 120 days	423,895	243,120
121 - 365 days	1,036,028	2,487,377
> 365 days	8,176,436	2,732,718
Impairments	(8,638,549)	(5,123,844)
	3,142,243	2,048,778
Refuse		
Current (0 -30 days)	1,510	1,362,270
31 - 60 days	1,698,451	440,825
61 - 90 days	618,456	296,706
91 - 120 days	467,701	255,492
121 - 365 days	1,419,460	1,920,477
> 365 days	8,516,826	4,147,303
Impairments	(9,382,254)	(5,155,703)
	3,340,150	3,267,370

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
12. Trade and other receivables from exchange transactions (continued)		
Other		
Current (0 -30 days)	(410,377)	1,436,210
31 - 60 days	1,295,897	645,587
61 - 90 days	794,082	464,922
91 - 120 days	627,172	475,897
121 - 365 days	1,315,886	31,307,128
> 365 days	22,470,699	16,398,343
Impairments	(21,195,057)	(47,717,633)
	4,898,302	3,010,454
VAT		
Current (0 -30 days)	172,383	4,607,317
31 - 60 days	2,381,117	674,966
61 - 90 days	729,801	465,028
91 - 120 days	487,167	443,899
121 - 365 days	3,634,801	3,483,346
> 365 days	3,651,311	4,363,998
	11,056,580	14,038,554

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
12. Trade and other receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	184,299	21,845,612
31 - 60 days	11,774,907	50,022,207
61 - 90 days	5,549,925	5,489,310
91 - 120 days	4,211,155	5,273,896
121 - 365 days	72,486,748	97,606,934
> 365 days	156,653,617	76,750,560
	250,860,651	256,988,519
Less: Provision for debt impairment	(200,780,691)	(172,669,757)
	50,079,960	84,318,762
Industrial and business		
Current (0 -30 days)	340,475	18,221,303
31 - 60 days	13,206,701	1,134,134
61 - 90 days	2,431,713	706,249
91 - 120 days	1,397,775	544,714
121 - 365 days	5,644,919	2,118,165
> 365 days	6,703,735	2,983,246
	29,725,318	25,707,811
Less: Provision for debt impairment	(14,808,659)	(6,391,508)
	14,916,659	19,316,303
National and provincial government		
Current (0 -30 days)	2,695	441,566
31 - 60 days	318,305	250,363
61 - 90 days	101,719	39,034
91 - 120 days	66,366	34,662
121 - 365 days	114,871	114,605
> 365 days	297,588	21,601
	901,544	901,831
Less: Provision for debt impairment	(493,037)	(198,575)
	408,507	703,256
Total		
Current (0 -30 days)	527,469	40,508,482
31 - 60 days	25,299,913	51,406,704
61 - 90 days	8,083,357	6,234,593
91 - 120 days	5,675,295	5,853,271
121 - 365 days	78,246,538	99,839,703
> 365 days	163,654,940	79,755,407
	281,487,512	283,598,160
Less: Provision for debt impairment	(216,082,385)	(180,027,686)
	65,405,127	103,570,474
Less: Provision for debt impairment		
Current (0 -30 days)	(33,883)	(3,865,347)
31 - 60 days	(3,118,945)	(6,995,773)
61 - 90 days	(2,178,268)	(1,846,809)
91 - 120 days	(4,574,963)	(5,161,495)
121 - 365 days	(70,727,889)	(94,642,636)
> 365 days	(135,448,439)	(67,515,627)

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012				
12. Trade and other receivables from exchange transactions (continued)						
	(216,082,387)	(180,027,687)				
Reconciliation of debt impairment provision						
Balance at beginning of the year	(180,027,687)	(198,549,706)				
Contributions to provision	(36,054,700)	(26,842,127)				
Reversal of provision	-	45,364,146				
	(216,082,387)	(180,027,687)				
13. Cash and cash equivalents						
Cash and cash equivalents consist of:						
Cash on hand	7,282	2,585				
Bank balances	69,721,377	94,235				
Short-term deposits	149,127	149,127				
	69,877,786	245,947				
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	June 30, 2011	30 June 2013	30 June 2012	June 30, 2011
Nedbank - Current account (Primary) 145 409 5334	2,286,274	353,271	2,402,201	35,482,696	(12,150,418)	(11,240,299)
Nedbank - Current account (Salaries) 145 409 5393	652,613	20,273	215,188	(9,067,485)	(4,403,718)	(439,417)
Nedbank - Current account (Actaris) 145 409 5377	955,877	491,477	481,714	473,572	190,707	167,903
Nedbank - Current account (Grants) 145 409 5407	40,909,105	11,891,426	2,617,871	40,909,105	11,891,426	793,309
Nedbank - Current account (Special projects) 145 409 5385	3,376,474	498,380	477,168	518,263	498,380	477,167
Nedbank - Current account (Traffic) 145 409 8058	3,395,797	3,395,797	4,324,845	2,028,246	4,037,538	7,358,846
Nedbank - Current account (Elandsfontein farm) 145 409 8031	63,344	61,624	59,586	63,344	61,624	59,649
Nedbank - Current account (Traffic Fines) 145 411 8679	152,651	65,595	373,663	985,988	(31,304)	(16,297)
Petty cash and cash floats	-	-	-	2,282	2,585	7,282
Nedbank call account	-	-	-	149,127	149,127	149,127
Total	51,792,135	16,777,843	10,952,236	71,545,138	245,947	(2,682,730)
14. Housing development fund						
Unappropriate surplus				3,833,346	3,833,346	
15. Other financial liabilities						
Held at amortised cost						
DBSA loan				11,653,009	12,865,476	
Interest rate on the DBSA loan is fixed at 15,5% per annum, compounded semi-annually. The loan period was 20 years. Final redemption of this loan is June 2020.						
Non-current liabilities						
At amortised cost				10,244,606	11,652,952	

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
15. Other financial liabilities (continued)		
Current liabilities		
At amortised cost	1,408,403	1,212,524
	11,653,009	12,865,476
16. Finance lease obligation		
Minimum lease payments due		
- within one year	23,707,704	24,272,470
- in second to fifth year inclusive	9,174,500	33,253,376
	32,882,204	57,525,846
less: future finance charges	(2,065,581)	(5,727,667)
Present value of minimum lease payments	30,816,623	51,798,179
Present value of minimum lease payments due		
- within one year	21,923,691	20,625,014
- in second to fifth year inclusive	8,892,931	25,877,865
	30,816,622	46,502,879
Non-current liabilities	8,892,931	31,173,165
Current liabilities	21,923,691	20,625,014
	30,816,622	51,798,179

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was at prime interest.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Dept of Minerals & Energy	3,348,533	-
Developers Contribution	-	1,496,924
Lotto	-	696,199
MIG	28,506,784	16,022,384
National Dept	9,576,292	154,160
Provincial Dept	-	10,906,669
Public donation	3,990,217	3,990,217
SRAC	408,169	-
Capacity Development	-	470,000
WRDM	-	87,735
	45,829,995	33,824,288

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
17. Unspent conditional grants and receipts (continued)		
Movement during the year		
Municipal Infrastructure Grant		
Balance at the beginning of the year	16,002,384	10,549,643
Additions during the year	36,736,000	30,248,000
Income recognition during the year	(24,231,599)	(24,811,259)
	28,506,784	16,022,384
Department of Sports, Recreation, Arts and Culture		
Balance at the beginning of the year	-	3,574,913
Additions	2,820,000	2,600,000
Income recognised during the year	(2,411,831)	(6,174,913)
	408,169	-
Department of Energy		
Balance at the beginning of the year	-	623,638
Additions during the year	10,000,000	3,762,000
Income recognised during the year	(6,651,467)	(4,385,638)
	3,348,533	-
Finance Management Grant		
Additions during the year	1,250,000	1,250,000
Income recognised during the year	(1,250,000)	(1,250,000)
	-	-
West Rand District Municipality		
Balance at the beginning of the year	87,735	-
Additions during the year	1,943,139	5,386,358
Income recognised during the year	(2,030,874)	(5,298,623)
	-	87,735
National Departments		
Balance at the beginning of the year	-	2,378,095
Additions during the year	1,000,000	800,000
Income recognised during the year	(1,000,000)	(3,023,935)
	-	154,160
Gauteng Provincial Departments		
Balance at the beginning of the year	11,080,829	3,644,696
Additions during the year	-	13,500,000
Income recognised during the year	(1,504,537)	(6,238,027)
	9,576,292	10,906,669
National Lottery		
Balance at the beginning of the year	696,199	1,867,825
Income recognised during the year	(696,199)	(1,171,626)
	-	696,199
Public Donation		
Balance at the beginning of the year	3,990,217	3,990,217

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
17. Unspent conditional grants and receipts (continued)		
Developers Contribution & Public Donation		
Balance at the beginning of the year	1,496,923	-
Additions during the year	470,055	1,649,646
Income recognised during the year	(1,966,978)	(152,723)
	-	1,496,923
Capacity Development		
Balance at the beginning of the year	470,000	470,000
Income recognised during the year	(470,000)	-
	-	470,000

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

18. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	4,470,866	447,086	-	4,917,952
Provision for settlement	2,926,424	-	(2,926,424)	-
	7,397,290	447,086	(2,926,424)	4,917,952

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	4,064,424	406,442	4,470,866
Provision for settlement	2,415,254	511,170	2,926,424
	6,479,678	917,612	7,397,290

Non-current liabilities	4,917,952	4,470,866
Current liabilities	-	2,926,424
	4,917,952	7,397,290

Environmental rehabilitation provision

The calculated provision for the restoration over the next four years was done using a rate of 8% based on the following assumptions:

- closure over four years
- no additional waste will be deposited on site
- that the closure will start in 2015
- compacting the waste body, constructing a 150mm founding and gas drainage layer, CGL, 200mm of completed soil (in 2 x 100mm layers) and covered by 200mm of top soil, with 10% discount; and
- an 8% escalation

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
19. Trade and other payables from exchange transactions		
Trade payables	66,362,531	113,306,314
Payments received in advanced	7,763,286	2,794,943
Retention monies payable	6,733,917	6,265,907
Stores creditors	583,476	583,476
Accrued leave pay	16,663,422	18,936,842
Salaries Control	29,109,769	523,296
Provision for performance bonus	11,046,161	7,238,908
Provision for service bonus	6,326,826	-
	144,589,388	149,649,686
20. VAT payable		
Tax refunds payables	298,958	-
21. Consumer deposits		
Electricity	27,248,757	25,509,346
Bank guarantees	(1,180,146)	(1,180,146)
	26,068,611	24,329,200
22. Revenue		
Property rates	78,443,184	65,093,389
Service charges	476,205,136	423,714,981
Sales of housing	42,726	-
Rental of facilities & equipment	1,986,693	1,746,405
Interest received – trading	8,474,736	1,964,056
Income from agency services	21,107,219	13,542,238
Public contributions and donations	-	580,980
Fines	6,442,099	7,258,046
Licences and permits	57,397	68,840
Government grants & subsidies	137,117,587	133,440,768
	729,876,777	647,409,703
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	476,205,136	423,714,981
Sales of housing	42,726	-
Rental of facilities & equipment	1,986,693	1,746,405
Interest received – trading	8,474,736	1,964,056
Income from agency services	21,107,219	13,542,238
Licences and permits	57,397	68,840
	507,873,907	441,036,520
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	78,443,184	65,093,389
Public contributions and donations	-	580,980
Fines	6,442,099	7,258,046
Transfer revenue		
Levies	137,117,587	133,440,768
	222,002,870	206,373,183

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
23. Property rates		
Rates received		
Assesment rates levied	112,653,468	106,886,644
Less: Income forgone	(34,210,284)	(41,793,255)
	78,443,184	65,093,389

Valuations

Figures in Rand	2013 R'000'	2012 R'000'
Residential	6,519,095	6,429,462
Commercial	1,660,251	11,700,022
Other	1,964,749	1,673,277
	10,144,095	19,802,761

Property rates are based on market values of the properties in terms of the Municipal Property Rates Act, 2004 (Act No.6 of 2004). The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions and rezonings.

A general rate as approved for in the Property Rates Policy is applied to property valuations to determine assessment rates. Rebates are granted to certain property owners in accordance with the Property Rates Policy.

Rates are calculated on an annual basis, levied monthly and are payable by the 7th day of the following month. Interest as determined by the South African Revenue Services is levied on outstanding rates.

The new general valuation will be implemented on 01 July 2014. An extension of the valuation roll has been requested from the MEC of Local Government and Housing.

24. Service charges

Sale of electricity	335,200,889	296,044,218
Sale of water	68,052,939	72,512,773
Sewerage and sanitation charges	30,473,465	25,180,980
Refuse removal	35,377,591	28,914,236
Other service charges	7,100,252	1,062,774
	476,205,136	423,714,981

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
25. Government grants and subsidies		
Equitable share	92,992,000	81,638,000
Grant Libraries	1,747,968	1,472,910
Grant WRDM	2,500,874	3,452,830
Skills Development Levy	654,371	607,950
Municipal Infrastructure Grant	24,616,173	18,438,885
Finance Management Grant	1,218,228	1,192,498
National Grants	3,159,762	1,162,652
Health Care Grants	-	1,551,766
Provincial Grants	3,074,000	15,828,758
Provincial Health Subsidy	-	3,428,362
Municipal Systems Grant	865,590	552,632
Income - VAT portion on grants	4,301,643	4,113,525
Public Grant	1,986,978	-
	137,117,587	133,440,768

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a subsidy consisting of a 100% rebate on property rates and taxes, a 100% rebate on refuse and sewer tariffs, 100kW electricity and 10kl water.

The balance of the grant is used in operations.

26. Other income

Administrative Charges	2,284,889	1,777,096
Building Plans Fees	783,444	844,763
New Electricity Connections	593,438	1,278,637
Advertisements	194,975	54,619
Burial Fees	1,254,099	962,062
Bins Sales	22,064	265,827
Tender Documents	284,484	209,429
Copies	127,812	132,056
Commission	207,359	164,133
Discount Received	18,427	49,349
Study Loan Recovered	110,538	103,297
Parking Meters	-	13,150
Town Planning Schemes	57,066	47,249
Unclaimed Monies	16,629	1,786,369
Clearance Certificates	105,480	7,203
Other Revenue	184,595	420,696
	6,245,299	8,115,935

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
27. General expenses		
Public participation	344,653	380,798
Advertising	1,150,320	859,374
Auditors remuneration	3,510,547	3,276,837
Bank charges	2,983,611	2,738,270
Cleaning	324,172	394,357
Audit committee costs	137,820	158,591
Consulting and professional fees	8,490,802	8,673,690
Consumables	340,182	562,547
Stock adjustment	145,675	992,921
Entertainment	85,264	164,228
Expanded work programme	820,313	577,109
Insurance	899,274	4,664,042
Conferences and seminars	-	284,130
Indigents	332,190	355,990
IT expenses	206,379	321,110
Sports, parks and recreation facilities	115,808	469,199
Lease rentals on operating lease	2,137,825	2,281,468
Magazines, books and periodicals	12,578	91,890
Medical expenses	-	696,208
Motor vehicle expenses	1,089,526	113,800
Pest control	30,800	103,989
Fuel and oil	4,634,430	4,111,960
Postage and courier	1,511,944	1,218,676
Printing and stationery	793,095	1,518,908
Marketing and communication	118,437	507,174
R1 for R1 settlement	670,730	112,184
Projects	298,308	632,318
Software license fees	1,411,765	1,298,293
Employee Assistance Program & OHSA	134,118	124,464
Subscriptions and membership fees	1,668,811	1,225,643
Telephone and fax	2,083,791	1,951,200
Training	817,886	1,468,649
Delegation	312,943	343,259
Refuse bin subsidy	50,384	493,460
Bursary expenses	903,367	-
Electricity	13,266,940	13,811,732
Sewerage and waste disposal	4,303	4,685
Water	2,888,786	5,025,232
Refuse	45,902	49,578
6kl water (free)	6,589,742	5,505,208
50kWH free electricity	1,453,527	1,348,108
Code of By Laws	87,000	11,120
Provision for regional master plan	-	480,000
Traffic control expense	1,342,099	3,242,765
Provision adjustments	-	406,623
Removal of illegal dumping	29,079	157,011
LED expenses	35,397	129,012
Recoverable jobs	85,617	254,315
Ward committee	1,007,360	301,473
Indigent subsidy - Two room houses	69,930	63,630
Municipal events and Improvement	246,854	286,087
Indigent subsidy - Refuse	9,139,207	7,095,918
Indigent subsidy - Sewerage	6,889,070	5,840,858
Indigent subsidy - Water	1,794,986	2,049,544
Indigent subsidy - Electricity	76,709	46,040
Other expenses	1,267,608	6,838,953
Farming only	1,031,146	1,576,506
Indigent subsidy - Assessment rate	1,974,341	1,582,354
	87,893,351	99,273,488

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
27. General expenses (continued)		

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
28. Employee related costs		
Basic	127,283,799	120,840,945
Bonus	17,400,967	10,749,381
Medical aid - company contributions	8,872,018	8,723,086
UIF	911,749	877,070
SDL	1,275,490	1,283,329
Leave pay provision charge	2,418,362	4,222,734
Uniforms	945,443	1,342,661
Casual Labour	1,303,070	865,630
Other Allowance	50,043	43,170
Post-employment benefits - Pension - Defined contribution plan	20,787,195	18,633,170
Travel, motor car, accommodation, subsistence and other allowances	4,207,361	4,153,179
Overtime payments	8,295,937	8,898,220
Acting allowances	315,970	331,369
Housing benefits and allowances	1,529,920	1,615,228
Salaries Stand-by	158,682	119,106
Group Insurance	261,218	257,025
Arbitration	179,235	-
Cellphone allowance	2,700	-
Study Assistance	597,425	26,600
	196,796,584	182,981,903

Remuneration of Municipal Manager

Annual Remuneration	93,678	1,041,415
Car Allowance	13,809	165,959
Contributions to UIF, Medical and Pension Funds	1,227	2,995
	108,714	1,210,369

Remuneration of Chief Finance Officer

Annual Remuneration	388,962	876,497
Car Allowance	61,329	138,091
Contributions to UIF, Medical and Pension Funds	5,571	20,279
Lump sum payout	451,735	-
Leave payout	168,455	-
	1,076,052	1,034,867

Remuneration of Director Infrastructure

Annual Remuneration	888,743	832,804
Car Allowance	147,365	138,091
Contributions to UIF, Medical and Pension Funds	13,143	2,995
	1,049,251	973,890

Remuneration of Director Corporate Support Services

Annual Remuneration	791,511	728,038
Car Allowance	244,520	224,755
Contributions to UIF, Medical and Pension Funds	20,808	2,995
	1,056,839	955,788

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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28. Employee related costs (continued)

Remuernation of Director Public Safety

Annual Remuneration	882,994	860,290
Car Allowance	153,103	110,473
Contributions to UIF, Medical and Pension Funds	15,360	2,995
	1,051,457	973,758

Remuneration of Director Social Services

Annual Remuneration	875,748	807,494
Car Allowance	132,624	126,347
Contributions to UIF, Medical and Pension Funds	9,750	2,995
Other	27,471	39,053
Other	-	38,809
	1,045,593	1,014,698

Remuneration of Director Development Planning

Annual Remuneration	933,627	295,792
Car Allowance	102,534	27,620
Contributions to UIF, Medical and Pension Funds	10,862	1,996
	1,047,023	325,408

The remuneration of staff is within the upper limits of the SALGA Bargaining Council.

29. Remuneration of councillors

Executive Major	903,446	827,988
Speaker	569,169	623,250
Councillors	5,977,325	5,257,245
Mayoral Committee	4,421,109	3,456,042
Travelling Allowance	2,067,786	2,625,028
	13,938,835	12,789,553

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards . The Speaker has one full-time bodyguards.

30. Debt impairment and recoveries

Contributions to debt impairment provision	36,127,544	(20,471,940)
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Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
31. Investment revenue		
Interest revenue		
Interest Earned	2,895,454	1,332,736
32. Fair value adjustments		
Investment property (Fair value model)	8,860,263	10,634,770
Biological assets - (Fair value model)	(231,550)	920,933
	8,628,713	11,555,703
33. Depreciation and amortisation		
Property, plant and equipment	107,028,018	119,468,180
34. Finance costs		
Trade and other payables	8,592,830	4,242,250
Finance leases	3,497,700	3,468,316
Current borrowings	5,788,476	6,226,033
	17,879,006	13,936,599
35. Auditors' remuneration		
Fees	3,510,547	3,276,837
36. Rental of facilities and equipment		
Facilities and equipment		
Rental of equipment	53,623	114,611
Rental of buldings	458,253	281,648
Rental of facilities	71,061	6,867
Rental of land	156,352	111,510
Rental of housing	1,247,404	1,231,769
	1,986,693	1,746,405
37. Contracted services		
Credit Cost Control	4,128,931	4,009,829
Private Contractor	1,247,952	2,396,019
Pre-paid Vending Cost	5,878,031	5,420,879
Security Services	7,836,163	6,721,277
Westonaria Sewerage Disposal	7,612,746	7,199,523
	26,703,823	25,747,527
38. Grants and subsidies paid		
Other subsidies		
S.P.C.A	420,000	400,000

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
39. Bulk purchases		
Electricity	247,454,446	229,181,879
Water	45,193,493	42,272,796
	292,647,939	271,454,675
40. Cash generated from operations		
Deficit	(37,707,867)	(48,701,327)
Adjustments for:		
Depreciation and amortisation	107,028,018	119,468,180
Loss (gain) on sale of assets and liabilities	1,056,793	3,173,933
Fair value adjustments	(8,628,713)	(11,555,703)
Finance costs - Finance leases	3,497,700	3,468,316
Finance costs	-	3,468,316
Debt impairment	36,127,544	-
Correction of prior year error	(45,103)	5,568,178
Movements in retirement benefit assets and liabilities	1,215,839	785,559
Movements in provisions	(2,479,338)	4,675,493
Other non-cash items	-	20,471,940
Public contributions	-	(580,980)
Changes in working capital:		
Inventories	(905,910)	203,473
Trade and other receivables from non exchange transactions	38,165,347	6,178,696
Trade and other receivables from exchange transactions	9,205,371	(45,079,488)
Trade and other payables from exchange transactions	(5,060,298)	28,186,968
VAT	2,089,647	(4,624,233)
Unspent conditional grants and receipts	12,005,707	6,725,261
Consumer deposits	1,739,411	2,163,640
	157,304,148	93,996,222
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	39,861,549	74,079,673

This committed expenditure relates to Infrastructure and Community assets and will be financed by retained surpluses and external funding.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
42. Contingencies		
Category		
Mrs Marina Nolte claimed for injuries sustained in June 2004 at the show hall due to stepping in a hole at the show ground which is the premises of the municipality.	1,200,000	1,200,000
Lubbe Contruccion (Pty) Ltd claim payment for services rendered after the municipality won the matter at the High Court, however the applicant took the matter on appeal.	16,672,305	16,672,305
Kingfisher Outdoor Products claimed interest in respect of incorrect billing which was referred to the Public Protector.	149,475	149,475
Insurance claims were submitted to the insurers where the outcome is unknown	(50,709)	(50,709)
A claim against the municipality in respect of vehicle damage due to potholes from PJ de Wet.	30,000	30,000
A claim against the municipality in respect of vehicle damage due to potholes from SM Tshabalaka	7,500	7,500
A claim in respect of third party injury from MS L Grove	1,483	1,483
A claim by Zimisile Investments CC regarding injury to an employee by residents while doing work on behalf of the municipality.	61,140	61,140
A claim by Kotela Maine Project Managers and Property Developers (Pty) Ltd for services rendered	228,855	228,855
A claim by Rescue Rod (Pty) Ltd for services rendered	302,888	302,888
A claim by H Kluyts for damages to a vehicle as a result of traffic signs not properly marked.	25,606	25,606
The matter for unlawful / wrongful arrests by LCM Orton currently pending in magistrate court.	100,000	100,000
A claim by Mrs AS Luthers for constructive dismissal which is pending with the Bargaining Council.	30,000	30,000
A claim by Yebo Gogo motors for storage where a vehicle of the municipality is held as security.	30,000	30,000
RJ Panelbeaters claims from the municipality for services rendered which will be settled in court due to a dispute	31,831	31,831
Aranda Textile claim loss of income due to power outages, however, matter was postponed by applicant indefinitely.	612,513	612,513
Khumalo and others claimed unfair dismissal which was referred to the SALGBC.	50,000	50,000
TG Mpompi claimed in respect of the interpretation of the collective agreement.	75,000	75,000
A claimed by Mokhele in respect of the interpretation of the collective agreement where the applicant was dismissed.	140,000	140,000
E Mako claimed against the municipality in respect of the placement policy of the municipality.	520,000	520,000
t LT Mogapi claim in respect of interpretation of collective agreement.	290,000	290,000

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
42. Contingencies (continued)		
An unfair dismissal claim by J Kolo. Arbitration awarded in applicant's favour, however, the municipality filed a review application in the Labour Court.	39,106	39,106
An unfair dismissal claim by D Tihapane where the ruling was in the municipality's favour. The ruling was challenged and the municipality is awaiting new ruling after objecting.	851,592	851,592
An unfair dismissal claim by S Makhale.	2,925,000	2,925,000
A claim by Z Gcosamba for the constructive dismissal	1,903,838	1,903,838
Thabo P Mthembu claimed for damages for unlawful arrest and damages to property and legal fees.	237,000	237,000
A claim by Mr Grobler against the municipality for eviction application. FW Heppner brought an eviction application against CS Malefane wherein the municipality is the third defendant.	6,500,000	6,500,000
A claim against RLM for car damaged by RLM's employee.	95,340	95,340
The applicant seeks that the municipality provide alternative accomodation for the CS Malefane. The amount of this application cannot be quantified currently.		
A claim against the municipality for an eviction application. The municipality won at Appeal Court, however the matter was reverted to the high court for oral evidence.	6,500,000	6,500,000
RLM has lodged a VAT claim against SARS for disallowed Input VAT. RLM has put a notice of objection against SARS. The outcome has yet to be determined.	(19,920,222)	
	19,639,582	39,559,763

43. Related parties

Mayor, Speaker, Council Whip, Chairperson of WPAC, Councillors, Municipal Manager and Section 57 Managers and other Municipality within the West Rand District Area.

Related party transactions

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated.

Services Rendered to Related Parties

Rates and Services Charges

Councillors	-	157,114
Municipal managers and Section 57 appointments	-	21,582
West Rand District Municipality	-	2,244,116
	-	2,422,812

Councillors	-	9,384
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Sure Blake Travel is a travel agent owned by a Councillor. This is the only travel agency in Randfontein hence the transactions were one with the related party.

Westonaria Local Municipality	7,612,746	8,207,456
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The sewer for the surburb of Mohlakeng is discharged to Westonaria Local Municipality for processing. The Westonaria Local Municipality therefore renders sanitation services on behalf o the Randfontein Local Municipality.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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44. Changes in accounting policy

2012.

During the year, the municipality changed its accounting policy with respect to the treatment of the heritage assets. The heritage assets were previously measured at cost and now are measured at fair value. To the extent, at the beginning of the financial year, any cumulative unrecognised fair value adjustment is recognised in the revaluation reserve.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2013 is as follows:

Statement of financial position

Heritage assets	-	1,929,279
Opening Accumulated surplus	-	1,929,279
	-	3,858,558

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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45. Prior period errors

The following errors relating to the previous financial year were identified and corrected in the current year as detailed below:

Statement of financial position

Investment property: The investment property was never adjusted to fair value in the prior period. In the current period the investment property was adjusted to fair value and the prior period was restated.

Property, plant and equipment: Property, plant and equipment was understated in the prior year

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	8,144,218
Investment Property	-	10,634,770
Accumulated Depreciation	-	(14,152,620)
Opening Accumulated Surplus or Deficit	-	110,583,337

Statement of Financial Performance

Depreciation expense	-	11,642,138
Fair value adjustment	-	10,634,770

46. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Risk from biological assets

The municipality is exposed to financial risks arising from changes in milk prices. The municipality does not anticipate that milk prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in milk prices. The municipality reviews its outlook for milk prices regularly in considering the need for active financial risk management.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

47. Events after the reporting date

There were no major events that have a bearing on the financial statements at the reporting date.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
48. Unauthorised expenditure		
Truck Stop Facility not fully funded	-	208,050
Grants bank account not fully funded	4,970,890	21,932,862
Expenditure exceeding budget	46,583,490	-
	51,554,380	22,140,912

Unauthorised expenditure was incurred in respect of the Development of a Truck Stop Facility which was not included in the budget for capital projects for the year ended 30 June 2013

49. Fruitless and wasteful expenditure

Interest on arrear Eskom account	7,088,032	4,223,617
Advertising expense for the Municipal Manager position	67,109	-
	7,155,141	4,223,617

50. Irregular expenditure

Opening balance	15,724,144	656,236
Add: Irregular Expenditure - current year	21,693,403	15,067,908
	37,417,547	15,724,144

Analysis of expenditure awaiting condonation per age classification

Current year	21,693,403	17,540,315
Prior years	15,724,144	656,236
	37,417,547	18,196,551

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

SALGA membership fees	1,612,048	1,329,665
Amount paid - current year	(1,612,048)	(1,329,665)
	-	-

Audit fees

Opening balance	161,556	41,689
Current year subscription / fee	3,510,547	3,985,124
Amount paid - current year	(3,675,074)	(3,865,257)
	(2,971)	161,556

VAT

VAT receivable	-	1,790,689
VAT payable	298,958	-
	298,958	1,790,689

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Ms N Mapena	424	-	424
Ms MJ Kutoane	-	59,639	59,639
Mr BC Dreyer	2,079	12,530	14,609
Mr EY Timol	3,453	2,212	5,665
	5,956	74,381	80,337

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Jerminah Kutoane	2,138	15,962	18,100

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned. Refer to Appendix G for detailed information.

Incident

Refer to appendix G for detailed information	-	1,709,445
Other	-	-
	-	1,709,445

52. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

53. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

54. Rental of Equipment and Facilities

Rental of equipment	53,623	114,611
Rental of buildings	458,252	281,648
Rental of facilities	71,061	6,867
Rental of land	156,352	111,510
Rental of housing	1,247,405	1,231,769
	1,986,693	1,746,405

55. Distribution losses in respect of Electricity

2013	Kilowatts	R-value	Percentage
Electricity	36,497,501	30,343,347	9 %

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012	
55. Distribution losses in respect of Electricity (continued)			
2012	Kilowatts	R-value	Percentage
Electricity	54,373,484	21,841,949	13 %
56. Distribution losses in respect of Water			
2013	Kilolitres	R-value	Percentage
Water	115,594	2,743,399	9 %
2012	Kilolitres	R-value	Percentage
Water	244,838	1,790,328	3 %

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

57. Statement of comparative and actual information 1 July 2012 - 30 June 2013

2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Property rates	100,413,910	100,413,910	100,413,910	78,443,184		21,970,726	78 %	78 %
Service charges	505,965	534,080,000	534,080,000	476,205,136		57,874,864	89 %	94,118 %
Investment revenue	10,124	1,479,000	1,479,000	2,895,454		(1,416,454)	196 %	28,600 %
Transfers recognised - operational	105,687	105,199,000	105,199,000	137,117,587		(31,918,587)	130 %	129,739 %
Other own revenue	46,728	47,334,000	47,334,000	60,326,249		(12,992,249)	127 %	129,101 %
Total revenue (excluding capital transfers and contributions)	101,082,414	788,505,910	788,505,910	754,987,610		33,518,300	96 %	747 %
Employee costs	(203,521,208)	(201,965,000)	(201,965,000)	(196,796,584)	-	(5,168,416)	97 %	97 %
Remuneration of councillors	(14,199,980)	(14,200,000)	(14,200,000)	(13,938,835)	-	(261,165)	98 %	98 %
Debt impairment	(35,113,100)	-	-	(36,127,544)	36,127,544	36,127,544	DIV/0 %	103 %
Depreciation and asset impairment	(114,891,726)	(114,892,000)	(114,892,000)	(107,028,018)	-	(7,863,982)	93 %	93 %
Finance charges	(5,805,450)	(8,489,000)	(8,489,000)	(17,879,006)	7,885,208	9,390,006	211 %	308 %
Materials and bulk purchases	(291,582)	(291,582,000)	(291,582,000)	(292,647,939)	2,570,738	1,065,939	100 %	100,366 %
Transfers and grants	(1,120,000)	(1,120,000)	(1,120,000)	(420,000)	-	(700,000)	38 %	38 %
Other expenditure	(227,314)	(218,323,000)	(218,323,000)	(127,857,551)	-	(90,465,449)	59 %	56,247 %
Total expenditure	(375,170,360)	(850,571,000)	(850,571,000)	(792,695,477)	46,583,490	(57,875,523)	93 %	211 %
Surplus/(Deficit)	(274,087,946)	(62,065,090)	(62,065,090)	(37,707,867)		(24,357,223)	61 %	14 %

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

57. Statement of comparative and actual information 1 July 2012 - 30 June 2013 (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	50,849	52,606	52,606	-		52,606	- %	- %
Surplus (Deficit) after capital transfers and contributions	(274,037,097)	(62,012,484)	(62,012,484)	(37,707,867)		(24,304,617)	61 %	14 %
Surplus/(Deficit) for the year	(274,037,097)	(62,012,484)	(62,012,484)	(37,707,867)		(24,304,617)	61 %	14 %

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand

57. Statement of comparative and actual information 1 July 2012 - 30 June 2013 (continued)

Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
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Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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57. Statement of comparative and actual information 1 July 2012 - 30 June 2013 (continued)

Capital expenditure and funds sources

Total capital expenditure	-	-	-	62,153,711	-	(62,153,711)	D
Sources of capital funds							
Transfers recognised - capital	50,349,200	47,464,333	47,464,333	34,037,379		13,426,954	
Internally generated funds	48,119,400	35,052,088	35,052,088	23,737,078		11,315,010	
Total sources of capital funds	98,468,600	82,516,421	82,516,421	57,774,457		24,741,964	

Randfontein Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Income Statement for Agricultural Activities

Figures in Rand	Note(s)	2013	2012
Cost of sales			
Opening stock		(108,067)	(202,500)
Purchases		108,067	94,433
Closing stock		-	108,067
		-	-
Other income			
Other farming income		2,611,933	1,717,615
Operating expenses			
Veterinary services and supplies		(4,441)	(3,180)
Other farming expenses		(1,026,705)	(1,573,326)
		(1,031,146)	(1,576,506)
Operating surplus		1,580,787	141,109
Surplus before taxation from agricultural activities		1,580,787	141,109

Randfontein Local Municipality
Appendix A

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock							
Structured loans							
Funding facility							
Development Bank of South Africa							
1		12,865,476	-	1,212,468	11,653,008	-	-
		12,865,476	-	1,212,468	11,653,008	-	-
Bonds							
Other loans							
Lease liability							
Avis Fleet Services		409,213	-	-	409,213	-	-
Standard Bank of SA Ltd		50,752,225	-	-	50,752,225	-	-
Nedbank Limited		636,742	-	-	636,742	-	-
		51,798,180	-	-	51,798,180	-	-
Annuity loans							
Government loans							
Total external loans							
Development Bank of South Africa		12,865,476	-	1,212,468	11,653,008	-	-
Lease liability		51,798,180	-	-	51,798,180	-	-
		64,663,656	-	1,212,468	63,451,188	-	-

Randfontein Local Municipality
Randfontein Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Other changes Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	282,242,525	-	-	-	-	-	282,242,525	(176,545,186)	-	-	(7,745,853)	-	(184,291,039)	97,951,486
	282,242,525	-	-	-	-	-	282,242,525	(176,545,186)	-	-	(7,745,853)	-	(184,291,039)	97,951,486
Infrastructure														
Water	1,700,147,435	1,867,432	-	-	-	-	1,702,014,867	(595,464,178)	29,670	-	(34,852,353)	-	(630,286,861)	1,071,728,006
Electricity Reticulation	295,420,050	9,733,534	-	-	-	-	305,153,584	(161,284,403)	15,713	-	(7,134,146)	-	(168,402,836)	136,750,748
Sports and Recreation facilities	-	3,013,847	-	-	-	-	3,013,847	-	-	-	(89,742)	-	(89,742)	2,924,105
Sewerage purification	1,343,209,360	2,299,731	-	-	-	-	1,345,509,091	(629,546,923)	-	-	(25,626,919)	-	(655,173,842)	690,335,249
Security measures	406,852,471	8,210,051	-	-	-	-	415,062,522	(189,633,535)	-	-	(5,523,720)	-	(195,157,255)	219,905,267
	3,745,629,316	25,124,595	-	-	-	-	3,770,753,911	(1,575,929,039)	45,383	-	(73,226,880)	-	(1,649,110,536)	2,121,643,375
Community Assets														
Community facilities	219,676,162	-	-	-	-	-	219,676,162	(94,739,605)	57,635	-	(5,416,045)	(293,446)	(100,391,461)	119,284,701
Recreational facilities	116,750,550	-	-	-	-	-	116,750,550	(61,514,414)	1,331,493	-	(3,508,033)	-	(63,690,954)	53,059,596
	336,426,712	-	-	-	-	-	336,426,712	(156,254,019)	1,389,128	-	(8,924,078)	(293,446)	(164,082,415)	172,344,297

Randfontein Local Municipality
Randfontein Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Other changes Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Paintings	2,195,000	-	-	-	-	49,000	2,244,000	-	-	-	-	-	-	2,244,000
	2,195,000	-	-	-	-	49,000	2,244,000	-	-	-	-	-	-	2,244,000
Leased assets														
Leased assets	65,446,670	-	-	-	-	-	65,446,670	(11,145,045)	-	-	-	-	(11,145,045)	54,301,625
	65,446,670	-	-	-	-	-	65,446,670	(11,145,045)	-	-	-	-	(11,145,045)	54,301,625
Other assets														
Motor vehicles	4,750,634	822,084	-	-	-	-	5,572,718	(3,412,968)	-	-	(556,916)	-	(3,969,884)	1,602,834
Plant & equipment	20,485,691	358,713	-	-	-	-	20,844,404	(6,066,358)	-	-	(1,981,015)	-	(8,047,373)	12,797,031
Furniture & Fittings	6,449,271	375,426	-	-	-	-	6,824,697	(2,047,562)	-	-	(518,214)	-	(2,565,776)	4,258,921
Office equipment	8,741,249	2,515,426	-	-	-	-	11,256,675	(4,338,409)	-	-	(1,297,811)	-	(5,636,220)	5,620,455
Bins and containers	485,658	1,210,000	-	-	-	-	1,695,658	(90,286)	-	-	(118,441)	-	(208,727)	1,486,931
Minor Assets	869,970	35,947	-	-	-	-	905,917	(391,982)	-	-	(95,295)	-	(487,277)	418,640
Emergency equipment	12,540	-	-	-	-	-	12,540	(7,395)	-	-	(1,253)	-	(8,648)	3,892
Library books	7,075,698	-	-	-	-	-	7,075,698	-	-	-	-	-	-	7,075,698
	48,870,711	5,317,596	-	-	-	-	54,188,307	(16,354,960)	-	-	(4,568,945)	-	(20,923,905)	33,264,402

Randfontein Local Municipality
Randfontein Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Other changes Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Randfontein Local Municipality
Randfontein Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Infrastructure

Randfontein Local Municipality
Randfontein Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets
Specialised vehicles
Other assets

Randfontein Local Municipality
Randfontein Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Total property plant and equipment
Agricultural/Biological assets
Intangible assets
Investment properties
Total

Randfontein Local Municipality Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Other changes Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Budget and Treasury	3,952,244	-	-	-	-	-	3,952,244	1	-	-	-	-	1	3,952,245
Corporate Services	6,433,874	-	-	-	-	-	6,433,874	1	-	-	-	-	1	6,433,875
Development Planning	34,649,802	-	-	-	8,860,263	8,628,713	52,138,778	(126,720,667)	-	-	(4,873,973)	-	(131,594,640)	(79,455,862)
Electricity	1,343,209,360	2,299,731	-	-	-	-	1,345,509,091	(629,546,923)	-	-	(25,626,919)	-	(655,173,842)	690,335,249
Executive and Council	2,722,157	-	-	-	-	-	2,722,157	1	-	-	-	-	1	2,722,158
Public Safety	2,018,381	-	-	-	-	-	2,018,381	1	-	-	-	-	1	2,018,382
Roads Transport	1,700,147,435	1,867,432	-	-	-	(66,110)	1,701,948,757	(595,464,179)	-	29,669	(3,482,352)	-	(598,916,862)	1,103,031,895
Social Services	419,519,988	3,013,864	-	-	-	(1,608,635)	420,925,217	(206,078,537)	-	1,389,128	(43,255,702)	(293,446)	(248,238,557)	172,686,660
Sports and Recreation	401,338	-	-	-	-	-	401,338	-	-	-	-	-	-	401,338
Waste Water Management	406,852,473	8,210,050	-	-	-	-	415,062,523	(189,633,535)	-	-	(5,523,720)	-	(195,157,255)	219,905,268
Water	295,420,050	9,733,535	-	-	-	(225,134)	304,928,451	(161,284,403)	-	15,713	(7,134,145)	-	(168,402,835)	136,525,616
Water/Water Distribution	2,305,642	-	-	-	-	-	2,305,642	-	-	-	-	-	-	2,305,642
Electricity /Electricity Distribution	2,036,862	-	-	-	-	-	2,036,862	-	-	-	-	-	-	2,036,862
	4,219,669,606	25,124,612	-	-	8,860,263	6,728,834	4,260,383,315	1,908,728,240	-	1,434,510	(89,896,811)	(293,446)	1,997,483,987	2,262,899,328
Municipal Owned Entities														
Total														
Municipality	4,219,669,606	25,124,612	-	-	8,860,263	6,728,834	4,260,383,315	1,908,728,240	-	1,434,510	(89,896,811)	(293,446)	1,997,483,987	2,262,899,328
	4,219,669,606	25,124,612	-	-	8,860,263	6,728,834	4,260,383,315	1,908,728,240	-	1,434,510	(89,896,811)	(293,446)	1,997,483,987	2,262,899,328

Randfontein Local Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
32,495,060	53,284,113	(20,789,053)	Executive & Council/Mayor and Council	34,866,797	43,003,060	(8,136,263)
157,080,138	68,089,201	88,990,937	Finance & Admin/Finance	177,101,295	162,831,583	14,269,712
5,172,661	29,539,196	(24,366,535)	Planning and Development/Economic Development/Plan	5,716,226	15,479,617	(9,763,391)
3,428,362	5,086,290	(1,657,928)	Health/Clinics	-	1,314,716	(1,314,716)
1,317,235	37,516,429	(36,199,194)	Comm. & Social/Libraries and archives	2,437,685	12,308,828	(9,871,143)
19,809,401	36,465,518	(16,656,117)	Public Safety/Police	4,997,735	21,176,739	(16,179,004)
57,187	12,477,837	(12,420,650)	Sport and Recreation	109,778	15,959,466	(15,849,688)
-	1,324,629	(1,324,629)	Environmental Protection/Pollution Control	344,487	2,004,642	(1,660,155)
65,273,091	64,642,199	630,892	Waste Water Management/Sewerage	76,615,521	59,668,757	16,946,764
4,574	42,092,182	(42,087,608)	Road Transport/Roads	17,905,876	21,148,722	(3,242,846)
78,919,962	71,339,208	7,580,754	Water/Water Distribution	78,095,686	75,082,938	3,012,748
315,490,258	304,831,085	10,659,173	Electricity /Electricity Distribution	356,564,975	362,468,216	(5,903,241)
679,047,929	726,687,887	(47,639,958)		754,756,061	792,447,284	(37,691,223)
Municipal Owned Entities						
Other charges						
679,047,929	726,687,887	(47,639,958)	Municipality	754,756,061	792,447,284	(37,691,223)
679,047,929	726,687,887	(47,639,958)	Total	754,756,061	792,447,284	(37,691,223)

Randfontein Local Municipality
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Property rates	78,443,185	100,414,910	(21,971,725)	(21.9)	The decrease in the property rates revenue was due to the fact that in the budget the properties included were more than the actual properties billed.
Service charges	476,205,136	534,080,880	(57,875,744)	(10.8)	
Sales of housing	42,726	-	42,726	-	Lesser usage of facilities than what was anticipated.
Rental of facilities and equipment	1,986,693	3,375,480	(1,388,787)	(41.1)	
Interest received (trading)	8,474,736	7,679,700	795,036	10.4	Municipality had funds to invest
Income from agency services	21,107,219	12,656,800	8,450,419	66.8	More revenue received from agency fees than was anticipated.
Public contributions and donations	-	-	-	-	
Fines	6,442,099	2,202,000	4,240,099	192.6	More fines issued than what was anticipated.
Licences and permits	57,396	3,600,000	(3,542,604)	(98.4)	Projected revenue for licences and permits not met
Government grants & subsidies	137,117,586	105,199,401	31,918,185	30.3	Increase in grants
Recoveries	-	-	-	-	
Other income	-	17,820,503	(17,820,503)	(100.0)	No extra revenue received during the year than what was anticipated.
Other income	6,245,296	-	6,245,296	-	
Other farming income	2,611,933	-	2,611,933	-	
Interest received - investment	2,895,454	1,478,940	1,416,514	95.8	
	741,629,459	788,508,614	(46,879,155)	(5.9)	
Expenses					
Personnel	(196,796,579)	(201,965,173)	5,168,594	(2.6)	Vacant positions and resignations
Remuneration of councillors	(13,938,833)	(14,199,980)	261,147	(1.8)	A higher provision for councillor remuneration
Depreciation	(107,028,018)	(114,891,726)	7,863,708	(6.8)	
Finance costs	(17,879,007)	(8,488,950)	(9,390,057)	110.6	Increase in leasing of vehicle and office equipment
Debt impairment	(36,127,544)	(35,113,100)	(1,014,444)	2.9	
Repairs and maintenance - General	(11,972,034)	(20,012,000)	8,039,966	(40.2)	Differentiation between capital maintenance and operational maintenance resulted in differences.
Bulk purchases	(292,647,939)	(291,481,710)	(1,166,229)	0.4	
Contracted Services	(26,703,823)	(24,255,200)	(2,448,623)	10.1	Increase in contracted services
Grants and subsidies paid	(420,000)	(1,120,000)	700,000	(62.5)	Increase in grant spent than what was anticipated
General Expenses	(87,893,344)	(139,043,198)	51,149,854	(36.8)	There was a cut in expenditure as a means of revenue recovery plan.
	(791,407,121)	(850,571,037)	59,163,916	(7.0)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(1,056,793)	-	(1,056,793)	-	
Fair value adjustments	8,628,713	-	8,628,713	-	
Discontinued operations	4,497,884	-	4,497,884	-	
	12,069,804	-	12,069,804	-	
Net surplus/ (deficit) for the year	(37,707,858)	(62,062,423)	24,354,565	(39.2)	

Randfontein Local Municipality
Appendix E(2)

**Budget Analysis of Capital Expenditure as at 30 June
2013**

	Additions	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Executive and Council	-	500,000	500,000	100	
Budget and Treasury	-	50,000	50,000	100	
Corporate Support Services	1,400,464	1,562,600	162,136	10	
Social Services	7,677,938	4,997,236	7,319,298	49	
Public Safety	2,524,768	2,524,770	2	-	
Sport and Recreation	3,948,307	9,618,433	2,670,126	28	
Development Planning	1,383,568	2,430,000	1,046,432	43	
Water	9,170,950	1,365,578	2,194,628	19	
Road Transport	9,585,983	4,818,134	5,232,151	35	
Waster water management	1,649,425	2,407,360	757,935	31	
Electricity	0,836,865	7,246,120	6,409,255	37	
Waste management	4,596,190	4,996,190	400,000	8	
	5,774,458	2,516,421	6,741,963	32	
Municipal Owned Entities					
	62,154	-	(62,154)	-	

Other charges

Randfontein Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Dept of Minerals & Energy	Department of Energy	-	3,500	5,100	1,400	-	-	-	761	-	5,890	-	-	-	-	-	No	Yes/ No	
Lotto	National Lottery	-	-	-	-	-	-	743	3,086	(3,133)	-	-	-	-	-	-			
Finance Management Grant	Department of Energy	-	-	-	-	-	-	523	612	105	11	-	-	-	-	-			
National Department	National Treasury	-	1,000	-	-	-	-	-	987	13	-	-	-	-	-	-			
Provincial Dept		-	-	-	-	-	-	1,108	842	1,111	(3,061)	-	-	-	-	-			
		-	4,500	5,100	1,400	-	-	2,374	6,288	(1,904)	2,840	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Randfontein Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Dept of Minerals & Energy	Department of Energy	-	3,500	5,100	1,400	-	-	-	761	-	5,890	-	-	-	-	-	No		
Lotto	National Lottery	-	-	-	-	-	-	743	3,086	(3,133)	-	-	-	-	-	-			
Finance Management Grant	Department of Energy	-	-	-	-	-	-	523	612	105	11	-	-	-	-	-			
National Department	National Treasury	-	1,000	-	-	-	-	-	987	13	-	-	-	-	-	-			
Provincial Dept		-	-	-	-	-	-	1,108	842	1,111	(3,061)	-	-	-	-	-			
		-	4,500	5,100	1,400	-	-	2,374	6,288	(1,904)	2,840	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Randfontein Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		
Dept of Minerals & Energy	Department of Energy	-	3,500	5,100	1,400	-	-	-	761	-	5,890	-	-	-	-	-	No	
Lotto	National Lottery	-	-	-	-	-	-	743	3,086	(3,133)	-	-	-	-	-	-		
Finance Management Grant	Department of Energy	-	-	-	-	-	-	523	612	105	11	-	-	-	-	-		
National Department	National Treasury	-	1,000	-	-	-	-	-	987	13	-	-	-	-	-	-		
Provincial Dept		-	-	-	-	-	-	1,108	842	1,111	(3,061)	-	-	-	-	-		
		-	4,500	5,100	1,400	-	-	2,374	6,288	(1,904)	2,840	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.